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DIVERSIFYING THE MICHIGAN ECONOMY

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In the recession year 1958, Cecil M. Birch published a paper, "Can Detroit's Economy Be Diversified?" It examined the proposition that the automobile industry establishes an environment that strangles most other businesses. The paper ends with a series of questions still asked today: "What types of diversification will reduce the impact of recessions? To what extent can diversification be achieved by working with companies already present in the area? Are total labor costs an obstacle to diversification? What obstacles are there to diversification other than labor costs: taxes, availability of materials, markets, plant sites? What are the prospects of the auto industry? Is the influence of the auto industry in Flint, Jackson, Lansing, Saginaw and Muskegon, and other automotive centers of Michigan less important than it is in Detroit?"

Over the next two decades, four basic approaches to diversification were variously emphasized and continue to be pursued today. One reduces the costs of doing business through changes in taxation, financial structures, and regulatory requirements. Another improves the perception of Michigan as a place to do business. The third promotes economic development research projects, including studies of specific industries, the business climate, and economic development strategies. The fourth fosters specific marketing programs, such as target industries, site development, and prospect assistance.

Michigan has had a long history of studies of the economy. Many good ideas and programs have been tried over the years with varied success. A number of these are particularly relevant to the effort to diversify and expand the economy as it relates to technology based industry. Some of these are discussed below.

1959—THE MICHIGAN ECONOMY

A 1959 report authored and edited by William Haber, Eugene C. McKean, and Harold C. Taylor contained contributions from the best and brightest of Michigan's economic establishment. It built upon the work of the Advisory Committee on Industrial Expansion Research, Michigan Department of Economic Development. Established in August 1956, the committee was chaired by Harold C. Taylor, director of research, Upjohn Institute.

The report documented the state's employment problem and the factors contributing to its economic difficulties. There had been a severe decline in employment since 1953, a recession in 1958, and a fiscal crisis at the end of the decade. Reasons cited were industry mix, shifts in defense procurement, decentralization of the automobile industry, and automation.

A fourteen-point program of action and study was recommended. It was suggested that "a responsible official agency of the state government, combining in its membership leaders of management, labor, and the general community," was essential to implement the program. The authors noted that the Committee on Michigan's Economic Future (COMEF) might effectively implement the recommendations.

The program advised a stepped up industrial promotion effort, including additional resources for the Department of Economic Development. Specifically, institutional advertising of Michigan as a site for industrial

location was urged. There also was an admonition to stop minimizing Michigan virtues and exaggerating its problems. The report recommended adopting the Economic Growth Act of 1960, modeled on the federal Full Employment Act of 1946, to establish a Council of Economic Advisors and a legislative Joint Economic Committee and to require annual economic reports by the governor and joint committee. A constitutional revision was viewed as imperative. A full-scale research effort was called for to determine the industries for which Michigan was most suited, especially "research centered, technology centered new products" and tourism. A vague call for the growth and stabilization of existing firms was made. A study of industrial location determinants was recommended to aid targeting industrial promotion efforts. The report also called for an "all out study and action program designed to bring Michigan's transportation system up to a condition of complete adequacy." The ninth recommendation was to set up an exploratory committee to consider efforts to take advantage of Michigan's water resources. The report cited a need for a comparative study of the conditions of doing business in Michigan as opposed to other states. The effect of taxes on business costs were to be thoroughly examined. Various financial inducements, such as development credit corporations, a statewide finance authority, and small business investment companies, were to be studied. Communities were to be encouraged to take steps to attract industrial growth. Finally, a special study of the characteristics of the unemployed was requested.

The suggested implementation agency, COMEF, was headed by William M. Day, chairman of the state Economic Development Commission, Department of Economic Development. Shortly after the report was released, Day asked Taylor to follow up by examining the tax question. Paul McCracken was tapped to direct a study by the nation's leading public finance experts. The result was *Taxes and Economic Growth in Michigan*, published in 1960.

While the various experts differed on details, they did agree on five points. First, fiscal questions had to be settled, in order to stop the recurrent financial crises that cause negative business attitudes and a lack of business confidence in the future. Second, too much fiscal legislation was frozen in the constitution. Third, taxes on business were relatively heavy. Fourth, Michigan needed a personal income tax. Finally, constitutional earmarking of sales tax revenues had to be removed.

Simultaneously, Lieutenant Governor John B. Swainson asked William Haber to convene a group of distinguishd Michigan economists to recommend policies. In late October 1960, they presented an eleven-point program. (1) Establish a strong financial base for state government through enactment of a state income tax. (2) Revise the tax system to reduce business taxes. (3) Undertake a detailed study of hard core unemployment to recommend specific measures designed to alleviate the problem. (4) Convene a governor's conference on automation to assess the effect of technological change and to consider ways and means of coping with the effects on Michigan employment. (5) Improve and increase enforcement of the state's fair employment practices act. (6) Establish a labor–management relations advisory committee and hold periodic meetings of labor and business leaders for discussion of mutual problems. (7) Increase substantially public and private expenditures for higher education and research at educational facilities throughout the state. (8) Improve development of facilities related to the St. Lawrence Seaway through a coordinated program of state, local, and private efforts. (9) Enlarge programs of urban redevelopment, particularly in Detroit. (10) Promote the vacation and resort industries through enlargement of the state park system and establishment of a large wilderness area in the Upper Peninsula. (11) Pass an Economic Development Act and establish a Council of Economic Advisors to the governor and the legislature.

1957–1963—MICHIGAN INDUSTRIAL AMBASSADORS

The admonition to improve the perception of Michigan's business climate was first met through a program called Michigan Industrial Ambassadors. Established about 1957, it reached its apex under Governor Swainson and Roblee B. Martin, who was president of Dundee Cement Company and chairman of the executive committee of MIA. As a 1961 press release stated, "the Industrial Ambassadors are top Michigan industry and business executives organized by the Michigan Economic Development Department to be on the lookout throughout the country for new industries and more jobs for Michigan." Approximately 275 executives were enthusiastically involved. In its brief tenure there were some small successes but no major relocations. The program was terminated by Governor George Romney in 1963.

LEGISLATIVE ACTIONS

In terms of changing the legal basis of the business climate, the most significant event was the constitutional convention of 1961–1962. It resulted in major changes in the tax structure, required a balanced budget, and reorganized state government. In 1963, Act 62 established industrial revenue bond financing — an important development tool. Over the next decade, other statutes were enacted; these are discussed below in the context of other initiatives. Act 20 and Act 125 of 1973 established a credit against the corporate income tax for personal property taxes on inventories. The franchise fee was reduced by Act 125 in 1974. In that year, two statutes of extraordinary significance were enacted. Public Act 198 enabled local units of government to establish plant rehabilitation and industrial development districts; the municipality could grant a 50 percent property tax abatement on plant and equipment for up to twelve years. Act 338 created Economic Development Corporations (EDCs), which have significant powers to undertake economic development projects.

In 1975, the Division of Minority Business Enterprise gave statutory life to a program that had been federally funded. The Michigan Job Development Authority, a statewide agency with the power to sell revenue bonds, was established by Public Act 301. Act 197 allowed local units to establish downtown development authorities with even greater powers than EDCs for the purpose of renewing, expanding, and otherwise developing downtown areas. Public Act 228 of 1975 established the Single Business Tax (SBT), which marked the return to a value-

added tax reminiscent of the Business Activity Tax. SBT revenue was pegged at the level of the estimated 1976 yields of the taxes it replaced and incorporated the benefit of previous tax reductions. The taxes repealed were the corporate franchise tax (Act 230), corporate income tax (Act 233), local property taxes on inventory (Act 234, Act 235), and various taxes on specific industries such as banking and insurance. A major feature of the Single Business Tax, designed to encourage business expansion, is the allowance of a 100 percent write-off from the tax base of new capital expenditures made in Michigan. The resultant cash flow advantage to businesses was expected to result in substantially more favorable conditions for investment in the state.

Act 255 of 1978 allowed local governments to establish commercial redevelopment districts in which commercial firms may be granted a property tax reduction for one to twelve years for renovating existing commercial property or constructing new commercial property.

In 1976, a budget stabilization fund was created by Act 76, and in 1978 the Tax Limitation Amendment was passed as a ballot proposal. Both seek to control the growth of public expenditures.

A new approach to the organization of Michigan ports was enacted in 1978, supplementing Act 234 of 1925. Under Act 639, P.A. 1978, more comprehensive powers and duties were provided to port operators.

The Full Employment Act of 1978 (Act 609, P.A. 1978) required the governor to submit an annual plan to achieve full employment.

In 1979, Act 76 chartered the Business Development Corporation, a private corporation to provide equity and debt financing to new and existing businesses meeting certain requirements.

The most recent major legislative reform is Act 357, P.A. 1980, which amends the workers' compensation statute. It is the culmination of a ten-year effort to improve benefits and remove abuses.

1963–1969—STATE RESEARCH GRANTS

In the wake of recommendations from the various study groups, the legislature appropriated $1.4 million for state research grants for economic expansion between 1963 and 1965; Act 230, P.A. 1963, appropriated $750,000 for a state research fund, and Public Act 266 (1965) provided $650,000 to cover the cost of additional research projects. Following is the section of the two acts that specified the funds' administration.

> The state research fund created by this act shall be administered by the department of economic development. Moneys in this fund shall be used to make grants to state colleges and universities in this state for specific research projects. The department shall give public notice of the existence of the state research fund, its objectives and the requirements for participation. Interested institutions shall submit specific research proposals in any area which will be of immediate or long-range benefit to the economic development of this state. Upon receipt of proposals, the director shall submit them to the economic expansion advisory council for evaluation. The director shall submit the proposals to the governor accompanied by the recommendations of the council. Upon approval by the governor, the director shall present the proposed projects to the legislature. Upon approval by resolution of the legislature of any proposal, the director shall release the grant of funds to the institution in accordance with the accounting laws of the state. Not more than 30% of the state research fund shall be granted to any one institution. In considering proposals, priority shall be given to those proposals which do not require continuing grants and have prospects of receiving financial assistance from other sources.

Twenty-seven projects were undertaken. There was a long gestation period associated with most, and some, of course, had no issue. There were, however, some notable and long-term benefits. For example, an econometric model of the state was constructed that is still in use for revenue forecasting. Ore-Ida located a processing facility here, at least partly because of a potato processing study. The silvacultural studies led to the Jaako Pyory analysis that ultimately resulted in the Forest Improvement District Act of 1980. Other wood resource studies helped locate paper mills and plywood factories. Most of the other studies had some long-term benefit. Complementing this program, Congress passed the Technical Services Act (P1 89-182) in 1965, which provided funds to the state to supply scientific and engineering help to businesses through the universities.

CHANGES IN ATTITUDE

There were some surveys and studies that counteracted efforts to be positive about the state's business climate. In 1972, the Survey Research Center, University of Michigan, produced *Industrial Location Decisions in Detroit*, which documented some rather negative attitudes toward Michigan. In 1975, the Fantus Corporation, a leading industrial location consulting firm, ranked states according to their business climates. This report, prepared for the Illinois Manufacturers Association, placed Michigan last. A recent study by Alexander Grant and Company also ranked Michigan last. It can certainly be argued that the latter two studies were imprecise and even perverse in their methodologies. For example, market size and industrial infrastructure were neglected in the rankings. Nevertheless, people were left with the perception that Michigan had a terrible business climate.

There have been advertising campaigns responding to these attacks. The approaches varied from direct confrontation of the negative perceptions ("Why move to a state with strong unions, high taxes, and crummy weather?") to positive image building (moneybelt versus the sunbelt). The complete history of Michigan's economic development advertising strategies remains to be told.

There have also been a number of carefully constructed analyses of the advantages of Michigan for specific business operations. Some were commissioned as part of formal programs, such as the State Technical Studies Program, and some were done in-house by the Office of Economic Development, which produced the Volkswagen report. While this approach is very effective with individual prospects, it does not change public perception of the business climate.

The MICHIGAN STATE ECONOMIC RECORD

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Michigan Economic Indicators

Item	Year previous of latest month	Previous month	Latest month
Manufacturing workers:			
Average weekly hours, Michigan	39.1	41.0	41.2 (Nov.)
Average weekly hours, U.S.	40.3	40.3	40.7 (Nov.)
Average hourly earnings, Michigan ($)	8.91	9.95	10.00 (Nov.)
Average hourly earnings, U.S. ($)	6.87	7.49	7.59 (Nov.)
U.S. motor vehicle production (units)	696,353	612,398	603,277 (Jan.)
Michigan electricity usage (mil. kwh.)	5,763	5,860	5,714 (Nov.)
Industrial (mil. kwh.)	2,711	2,762	2,645 (Nov.)
Residential (mil. kwh.)	1,735	1,726	1,745 (Nov.)
Raw steel production:			
Michigan (000 net tons)	751	760	706 (Dec.)
United States (000 net tons)	9,996	10,057	10,180 (Dec.)
Consumer price index (1967 = 100)			
Detroit area	233.2	266.4	269.7 (Dec.)
United States	229.9	256.2	258.4 (Dec.)
U.S. wholesale price index (1967 = 100)	249.7	278.4	280.3 (Dec.)
Michigan farm prices received index (1967 = 100)	235	262	256 (Dec.)

SOURCES: U.S. Bureau of the Census; U.S. Bureau of Labor Statistics; Michigan Crop Reporting Service; Motor Vehicle Manufacturers Association, Inc.; American Iron and Steel Institute; and Energy Information Administration.

1970—THE GOVERNOR'S SPECIAL ECONOMIC TASK FORCE

In 1970, Governor Milliken appointed a special economic task force, chaired by Richard E. Whitmer, director, Department of Commerce. It was composed of six department directors and agency heads. The staff interviewed twenty-four prominent individuals from the academic community, organized labor, the automotive industry, the business and financial community, and state government.

The short-term proposals included legislation to extend unemployment benefits, accelerate state construction projects, increase bonding authority of the State Housing Development Authority, establish funds to employ disadvantaged youths in environmental improvement projects, establish training programs for disadvantaged persons, support federal assistance in funding on-the-job training programs, increase funding for the Aid to Dependent Children program, fund projects with recreation bonds, speed up the implementation of the Work Incentive Program, change the usury law, urge the state treasurer to deposit more funds in Michigan banks, and seek preferential consideration for Michigan in the allocation of federal funds for job-producing projects.

The long-range recommendations included actions to elevate the economic development function, improve purchasing practices, establish a Washington office, and seek greater diversification. Concerning this last, the specific actions were to examine the effect on Michigan of Canadian-U.S. trade patterns and the need for additional financial incentives for industrial locations.

1975—MICHIGAN ECONOMIC ACTION COUNCIL

In 1975, a unique group was formed: the Michigan Economic Action Council (MEAC). One-third of the membership was named by the speaker of the house; one-third by the senate majority leader; and one-third by the governor. The budget was similarly allocated. The twenty-nine-member council, chaired by W. Michael Blumenthal, issued a report on 27 August 1975 that contained twenty recommendations for short-term action. They addressed automotive industry employment, federal funding of public works, recreation and tourism, energy and utilities, railroad reorganization, income maintenance, and a program for implementing these recommendations.

On 1 June 1976, *Toward Growth with Stability: Recommendations for Long-Term Action* was issued. The recommendations (abbreviated by this author) follow:

1. Therefore, we recommend that the Single Business Tax be completely reviewed to determine if it should be restructured to encourage the growth sectors of the economy.
2. Therefore, we recommend that the Office of Economic Expansion review its activities so as to direct more of its attention to new service and high technological content industries.
3. We recommend the creation of a New Business Development Corporation designed to provide venture capital in the State of Michigan, and involving the financial resources of both state government and private institutions.
4. We recommend that the initial unemployment insurance contribution rate assigned to new employ-

ers by the Michigan Employment Security Commission be reduced from 2.7% to 1% when the question of debt repayment has been resolved.

5. Therefore, we recommend that Michigan law be amended to allow the state government pension fund to purchase SBA-guaranteed loans.
6. We recommend that the Michigan Department of Commerce plan and implement a program of direct technical and management assistance to small businesspersons located throughout Michigan.
7. We recommend that a Budget Stabilization Fund be created.
8. Therefore, we recommend that an appropriate means be established whereby the State can finance capital projects through the issuance of long-term debt in order to continue its construction program and maintain jobs during recessionary periods.
9. The Council recommends that the Public Service Commission and other agencies be mandated to develop policies designed to restrain demand and encourage conservation of electrical energy.
10. The Council recommends that Public Service Commission procedures be reviewed in an attempt to reduce time lags on petitions for rate increases.
11. The Council recommends that the Public Service Commission and other state agencies develop programs designed to restrain demand and encourage conservation of natural gas.
12. The Council recommends that Michigan should intensify its attention to development of state-owned natural gas reserves.
13. We recommend that the Governor and the legislative leaders seek an appropriate funding mechanism for mass transportation applicable on a regional basis, and for southeastern Michigan in particular.
14. We recommend that the Governor and legislative leaders assign the highest priority to the establishment of a comprehensive plan for preserving as much rail service as is both desirable and practical.
15. The Council recommends the creation of a State Port Authority charged with responsibility for promoting Michigan ports, seeking federal assistance for port improvements, and overseeing the development of all Michigan ports in cooperation with local governments and local port districts.
16. We recommend that the State adopt a land use policy that recognizes the need to bank to preserve land for future agricultural, industrial, and transportation use in special situations.
17. Therefore, we recommend that the State empower the City of Detroit to hold a referendum on the establishment of legalized casino gambling in the City of Detroit.
18. We recommend that the Michigan Travel Bureau incorporate into its activities the creation of new events and destinations, promotional tours and an outreach program to ensure that people who come in frequent contact with travelers provide the friendly welcome and professional services that are expected.
19. We recommend that the State encourage the establishment of joint labor-management economic development councils in cities throughout Michigan.
20. We recommend the creation of an Economic Advisory Council, to be jointly apponited by the Governor, the Speaker of the House, and the Senate Maority Leader on a non-partisan or bi-partisan basis, and charged with the responsibility of providing ongoing analysis and policy recommendations on Michigan's economy.
21. Therefore, we recommend that an Institute for Economic Development be created to provide long-range state economic information and projections, support for research related to the development of new industries, and a closer relationship between our higher educational institutions and the private sector.
22. Therefore, we recommend that an appropriate state government agency be vested with the responsibility of prescribing statistical standards relating to the quantity and quality of statistical data generated by legislative and executive agencies, including special surveys and censuses.
23. We recommend that the Institute for Economic Development, or some other state supported agency, assume responsibility for a continuing study of each of the distinctive economic regions of the State.
24. Therefore, we recommend that the Office of Economic Expansion collect and package information for prospective new employers on a regional basis.

1976—MICHIGAN'S CHANGING ECONOMY

In 1976, the Economic Development Administration, U.S. Department of Commerce, awarded a grant to the Michigan Department of Commerce to study Michigan's changing economy. A series of studies were undertaken and are listed in the bibliography. Most notable was the McKinsey study on target industries, which validated the approach taken by the Office of Economic Development and provided documentation needed to expand the target marketing approach.

1980—SPECIAL HOUSE COMMITTEE ON JOB DEVELOPMENT

In 1980, a special report, *Job Development in Michigan*, was issued by the Special House Committee on Job Development. The committee issued fourteen recommendations grouped into three areas—planning, targeting, and assistance. The report stated that development policies should be formed in the context of predetermined socio-economic objectives, that certain industries such as robotics hold more hope than others for Michigan, and that the state must play a more assertive role in developing a comprehensive program of facilitating new business creation. Many of the recommendations reemphasized existing programs within the Office of Economic Development such as target marketing and the small business ombudsman.

TARGET INDUSTRIES

A key program in the effort to diversify Michigan is marketing the state's advantages for target industries. The program currently includes a number of industries considered high-technology oriented.

Robotics. Industrial robots and other automated production equipment provide one of the most significant opportunities to create high-technology manufacturing jobs in Michigan. Although applicable to a wide range of production processes in a number of industries, the largest and most rapidly developing market for robots is the automotive industry. Michigan's concentration of auto assembly plants and other machinery and durable goods indus-

tries provides ideal market proximity. In addition, the engineering and development of robotics systems is greatly facilitated by proximity to automakers' research centers, state universities, and the tremendous concentration of special tool and die design companies.

The state has prepared a report on Michigan's advantages for robotics production that is used for presentations to potential investors. The state has established a working relationship with the Robot Institute of America (RIA) in Dearborn to share technical and site location information in order to promote Michigan as a location for robotics manufacture, and Office of Economic Development representatives were actively present at the National Robots Conference sponsored by the RIA and Society of Mechanical Engineers. Similar relationships also exist with Michigan State University, The University of Michigan, and Wayne State University.

Plastics. The target market effort for plactic products builds on the long-term conversion by the auto industry to lightweight materials in order to cut vehicle weight and conserve fuel. Although the initial link to automotives is strong, diversification is achieved by the industry's ability to fashion a variety of industrial and consumer plastic products that are nonauto related.

A study was completed in 1978 on Michigan's advantages for plastics production facilities. It has been used in prospect presentations, at trade shows, and in direct mail campaigns. A mailing was sent to plastics companies in the United States soliciting their interest in the study, and several ads were placed in trade journals to heighten awareness of Michigan's advantages for this industry. Michigan's plastics companies are also assisted in finding nonauto markets for a diverse range of products.

The state has also solicited direct investment at national plastics trade shows sponsored by the Society of the Plastics Industry and has promoted plastics machinery exports at the "Plasticos '80" exhibition in Mexico City.

Electronics. Michigan's potential to attract high-technology electronics firms is based on both market proximity and the presence of technical support systems.

The state's auto industry, in moving toward the installation of sophisticated electronic control systems in new vehicles, presents a significant market for electronic components. In addition, the state's concentration of manufacturing provides significant opportunities to producers of electronic control systems and equipment for a wide variety of industrial processes.

Michigan's technically oriented university system; wide-ranging public and private research and development programs; skilled scientists, engineers, and support staff in the labor force; and high quality of life meet the major locational requirements of expanding electronics companies. Discussions are currently being held with business leaders in electronics to identify potential targets and develop strategies to attract them to Michigan.

Alternate (Solar) Energy Equipment. The term *alternate energy equipment* covers the entire range of industrial and consumer solar and wind energy devices and biomass conversion processes and equipment. Michigan's primary advantages in this area are its sizable industrial and consumer markets, tax credits for the installation of energy conservation equipment, production expertise, and capability in mass manufacture of durable goods.

In 1977, the state proposed to the federal government that Michigan be the location for the new National Solar Energy Research Institute (SERI). As a result of that proposal and the many advantages for solar energy development pointed out in it, Michigan, in partnership with Minnesota, became the site for a regional development center known as the Central Solar Energy Research Corporation (CSERC).

Other state involvement in alternative energy development includes the preparation of a report on Michigan's advantages for energy equipment manufacture and ongoing relationships among the Michigan Energy and Resource Research Association (MERRA), the Michigan Energy Administration, the Office of Economic Development, and state universities to establish cooperative solar energy technology development and dissemination. The state was recently represented at the Solar Energy Exposition and Trade Show.

Future involvement will continue to include site location presentations to major new firms in the alternate energy field and assistance to entrepreneurs. To date, the Office of Economic Development has worked on nearly a dozen locations in the alternative energy area.

Metalworking Machinery. Metalworking machinery manufacture includes industries producing machine tools, tools and dies, and accessory equipment; it constitutes the production backbone of all durable goods manufacturing. Michigan (and the entire northeast U.S. industrial corridor), with its large concentration of auto and other durable goods industries, is the largest market for metalworking machinery in the world. The increasing sophistication of numeric and computerized control systems for machine tools presents a high-technology opportunity for Michigan in this industry.

A report on the state's advantages for metalworking machinery manufacturing, expanding a previous study done in 1977, has been produced for client presentations, and promotional efforts continue throughout the United States, Europe, and Japan. Michigan has also been represented for a number of years at international machine tool trade shows sponsored by the National Machine Tool Builders Association and the Society of Manufacturing Engineers and at Intermexpo in Mexico.

The Office of Economic Development also assists the expansion of exports by Michigan-based metalworking machinery producers by conducting and/or participating in international trade missions and trade and catalog shows.

Bio-Medical Equipment. In 1975, a report entitled "Seventy-five Reasons to Consider MICHIGAN as a Location for the Manufacture of Bio-medical Equipment and Supplies" was prepared. A direct mail campaign was conducted to bring our advantages to the attention of the industry. The state has continued to promote this area, and recent follow-up research has confirmed that this high-technology industry may well merit additional documentation and promotional efforts.

Other target industries, such as food processing and forest products, have high-technology elements, such as

genetics, and some potential targets are still in the preliminary research stage, such as communications.

CONCLUDING REMARKS

Why have these efforts had such little apparent effect?

(1) *Timing:* The studies generally were issued during the period of recovery following a downturn. This lessened the sense of urgency felt during the recession. Attention turned to other matters, such as nonreturnable beverage containers.

(2) *Level of generality:* Most reports recommended goals rather than actions. It is far from easy to translate the goal of diversifying the economy into specific steps, such as changes in tax or banking laws.

(3) *Structural inertia:* Michigan's industrial endowment is massive. During prosperous times it provides high paying jobs, many of which require a moderate level of skills. This structure inhibits other industries from locating or expanding here. In addition, there are numerous vested interests that view change as threatening or unnecessary. For example, Michigan bankers have not seen a need to support entrepreneurship because there were three areas in which good loans could be made: The auto industry had a good payback record; tax anticipation notes were low risk; and agricultural loans involved dealing with familiar people in familiar ways. With these markets available, there was no perceived need to find ways to support innovation.

(4) *Planning is not implementation:* Most reports were conducted or sponsored by planning bodies. The implementation agencies had no real role in the analysis or the recommendations. Consequently, those expected to bring the goals to fruition had little or no commitment to the process.

(5) *Preeminence of short-term revenue concerns:* The major economic advisor to the legislature and the executive has been the Department of Management and Budget. Its primary concern is meeting the requirement of a balanced budget each fiscal year. Consequently, stimulative tax cuts and programs with long gestation periods were not suggested or supported.

In conclusion, Michigan has a long history of studies of the economy. Many good ideas and programs have been tried over the years with varied success. We do know what to do, what works, and how to make it work. What is needed is a long-term, institutionalized commitment to economic development. Perhaps the major lesson to be drawn was offered by President Calvin Coolidge, "Persistence is better than good luck."

A partial bibliography of the special studies done over the last two decades follows. It traces the mainstream (and a few tributaries) of economic development thought in the state. No offense is intended to authors overlooked.

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